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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R-97

**DIRECT TESTIMONY OF
MAX HEATH (NNA T-1)
ON BEHALF OF
THE NATIONAL NEWSPAPER ASSOCIATION**

**DOCKET No. R97-1
TESTIMONY OF MAX HEATH
(NNA T-1)**

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**DIRECT TESTIMONY OF
MAX HEATH (NNA T-1)**

INTRODUCTION

1 My name is Max Heath. I am vice president/executive editor for Landmark
2 Community Newspapers, Inc. (LCNI), Shelbyville, KY, a division of Landmark
3 Communications, Norfolk, VA. I am responsible for editorial and circulation
4 development, postal and environmental issues and am involved in recruitment, public
5 relations and press association activities. LCNI has 40 weekly and daily newspapers
6 in 12 states with a total of over 250,000 paid circulation, 455,000 free newspaper and
7 shopper circulation and 172,000 free special publication circulation. I also serve as
8 a regional director for the National Newspaper Association and, in that capacity, am
9 a member of the NNA governing board. In addition, I have been chairman of the
10 NNA Postal Committee for eight years and its representative on the Mailers
11 Technical Advisory Committee since 1989.

12 I am the community newspaper industry's principal trainer on the use of postal
13 services, compliance with regulations and understanding of sorting and work-sharing
14 requirements. I conduct approximately 15 seminars and workshops within the
15 industry each year and receive about six calls a week from newspapers with postal
16 problems. My service in this area is a volunteer contribution, backed by the good will
17 of Landmark Community Newspapers, Inc., for the benefit of the industry.

18 The purpose of my testimony is as follows: to provide a background for the
19 Commission of the ways in which community newspapers use the Postal Service
20 today; to highlight major service problems; to focus upon the reliability of various

1 USPS data systems for measuring community newspapers' use; and to describe two
2 areas in which newspaper publishers are engaging in a significant amount of work-
3 sharing without appropriate compensation under the rate schedules.

4
5 **I. NEWSPAPERS HAVE A LONG HISTORY OF WORKING WITH THE POSTAL**
6 **SERVICE AND ITS PREDECESSOR THE UNITED STATES POST OFFICE.**

7 The National Newspaper Association was founded in 1885 by a group of
8 weekly newspaper publishers who had been active in their state press associations.
9 They came together for the reasons that bring most business executives to trade
10 societies: to share ideas and to solve common problems. The early records of those
11 meetings have largely been lost, but the history of the industry indicates that troubles
12 with the Post Office Department were among the fledgling association's priority
13 concerns. See, *Quill to Computer, The National Newspaper Foundation, 1985. NNA*
14 *Library Reference 1*. In a sense, the industry has grown up around postal
15 regulations, creating such pillars of its development as paid circulation and required
16 editorial content.

17 Today, the NNA considers itself the voice of community newspapers. It
18 represents not only weekly newspapers but dailies as well. Its membership of nearly
19 4,000 titles includes both free circulation and paid circulation newspapers. A variety
20 of publication cycles are represented: weekly, twice-weekly, thrice-weekly, five day
21 and daily. Approximately 550 of its members are daily newspapers with publication
22 cycles of five days per week or more.

1 The membership varies widely in its publication characteristics--from *The New*
2 *York Times* to many newspapers with fewer than 1,000 subscribers. The typical NNA
3 member newspaper, however, is a weekly with 3,000 to 5,000 circulation and, even
4 in this day of mass media mergers, is a family-owned publication.

5 There is no legal definition of a community newspaper as far as I know. Its
6 general attributes fall into an "I know it when I see it" category, but as a longtime
7 community newspaper executive, I would say a community newspaper is one whose
8 local market is its primary editorial focus. That provides a broad range of
9 possibilities, from small-town papers to urban, neighborhood papers.

10 Contrary to the perceptions of many who believe newspapers are losing
11 momentum, the community newspaper industry is growing. A recognition of this
12 trend drives NNA's concerns about the future of the partnership between the Postal
13 Service and our industry.

14 Technology today has made the creation of the community newspaper an
15 achievable dream in ways that our 19th Century forebears would never have
16 dreamed. Today anyone with \$5,000 and an idea can purchase a laptop computer, a
17 desktop publishing program and a printer and be in business with a "newspaper."
18 But publishers today have about the same options for print delivery as did NNA's
19 founders: through the mail, by home delivery carriers and by single copy sales.

20 By long tradition and service imperatives, most daily newspapers are delivered
21 by home delivery carriers within their primary markets. But there are notable
22 exceptions even to that rule, such as NNA members the *Cadillac (MI) Evening News*
23 and the Washington DC suburban-area *Journal Newspapers*--newspapers that

1 achieve same day postal delivery by placing walk-sequenced presorted newspapers
2 virtually into the delivery office carrier's hands at the dawn of each day. For the most
3 part, however, daily newspapers rely upon Periodicals class delivery to reach
4 subscribers in outer markets or in distant cities.

5 For weekly (including twice and thrice-weekly) newspapers, Periodicals mail is
6 the lifeblood of circulation. Creating a carrier force for a once-a-week distribution is a
7 more difficult matter than creating one for daily delivery. Both carrier recruitment and
8 the infrastructure costs are generally too high to be covered by the revenue from
9 delivery of only one copy per subscriber per week. Because of these barriers, weekly
10 newspapers remain heavy users of the mail for delivery.

11 To reach subscribers within their markets, newspapers rely upon within county
12 Periodicals mail. For reaching subscribers outside their counties, but within the retail
13 trading zone, newspapers use the SCF and Zone 1-2 categories within Periodicals
14 class. For reaching distant subscribers, newspapers use Periodicals delivery from
15 Zone 1 to Zone 8. This latter class of subscribers cannot be dismissed as an
16 insignificant element of the business for a community newspaper, as NNA Witness
17 Patsy Speights (NNA T-2) explains in her testimony. The industry perceives those
18 subscribers to be at risk because of chronic problems with delivery. Helping these
19 out-of-town subscribers stay in touch with our communities also serves an important
20 public purpose.

21 NNA's concerns in this case, therefore, are dually with the within-county
22 subclass and with the outside-the-county general Periodicals rates and service. My
23 testimony will address those concerns specifically.

1 **II. DELIVERY OF NEWSPAPERS DETERIORATED WHEN RECLASSIFICATION**
2 **CHANGED SORTATION REQUIREMENTS.**

3 With the adoption of the Commission's recommended decision in Docket No.
4 MC95-1, newspaper mail lost the ability to package and sack mail to the 456 mail
5 processing hubs known as Sectional Center Facilities. Instead, the requirement for
6 preparing mail to the 96 Area Distribution Centers took effect. NNA witness Patsy
7 Speights presents one newspaper's difficulties with this new requirement by
8 explaining how the diversion of her newspaper from a small town in Mississippi to an
9 ADC in New Orleans, only to return to another small town 18 miles from her entry
10 point, has affected her work life and her newspaper's relationship with its subscribers.
11 Testimony of Patsy Speights, NNA T-2, at 4-5.

12 As NNA's chief postal counselor, I became aware of an impending disaster
13 very early in the post-reclassification era. Almost immediately, I began to receive
14 complaints from newspapers forced into the ADC and mixed-ADC sorting scheme.
15 An additional requirement of six-pieces as the minimum level for direct sacking
16 worsened the situation. I wrote first about the disaster in my regular column in
17 Publishers' Auxiliary. See my Exhibit 1, page 1, appended to this testimony. I pointed
18 out that by putting long-distance subscribers at risk, the Postal Service not only
19 impacted the newspaper's circulation revenue, but risked its own high-end postage
20 compensation because the mail pieces in question were paying the highest piece
21 rate of 24 cents. Losing that newspaper subscriber because of poor delivery meant a
22 loss for the Postal Service as well as the newspaper.

1 A month later, USPS issued a new rule relaxing the six-piece minimum
2 sacking requirement and reinstalling the publisher's option for "skin sacks" when
3 required to restore delivery quality. Sorting to ADCs, however, continued to require
4 the six-piece minimum. The changes, while welcome, seemed to do little to improve
5 service, judging by the continual ringing of my telephone.

6 The problems continued to escalate. I wrote again in my column of Oct. 21 of
7 a report from Tennessee Press Association of deliveries taking as much as 17 days
8 within the state. NNA began to complain to the Postal Service. NNA T-1, Exhibit 1,
9 page 1. I reported on service problems again on Nov. 18, 1996. NNA T-1, Exhibit 1,
10 page 3. My own company's newspapers began to reflect the problems as well.
11 Delivery to the 3-digit area around our Louisville markets began to slip by one to two
12 days and sometimes more. We've had similar problems in Indianapolis and
13 Cincinnati, ADCs that also handle LCNI mail. This slippage may not seem like much
14 in a system that has experienced chronic problems elsewhere, but a two day delay in
15 a time-sensitive publication can convert a useful product into a useless product from
16 the viewpoint of subscribers. It is difficult to overstate the ire a publisher hears from
17 subscribers whose deliveries are late--they assume the fault is ours.

18 I continued to write about this problem for many months. NNA Exhibit 1
19 contains all of my columns on this subject since reclassification. I also raised these
20 problems at MTAC meetings. It has been only in recent weeks that we have begun
21 to feel that the Postal Service is paying attention to our complaints, but at the time of
22 this statement, we have yet to see concrete results.

1 It is a difficult matter for a small party like NNA to provide quantitative evidence
2 of these service problems. The Postal Service does not maintain ongoing delivery
3 measurements of Periodicals mail, as it does for first-class mail. To produce a parade
4 of publishers before this Commission who have received cancellations and
5 complaints from subscribers would exhaust the resources of the association. To
6 further examine the precise detours our mail is taking and explain to the Commission
7 the points of diversion and delay would similarly require information outside our
8 reach--and likely would be fruitless given the inescapable fact that the Postal Service
9 controls the data and chooses not to develop systemic measurements for the class.
10 Various parties have conducted as much inquiry into the service problems through
11 this case as we believe possible within these constraints. Tr. 2/111, 114, 175, 176,
12 177 and 178. If the Postal Service cannot adequately describe the scope of this
13 problem, one mailer certainly cannot. However, as an expert within the industry, I
14 personally attest that newspapers have lost subscribers as a direct result of
15 reclassification--a so-called reform of the system that benefited us little and cost us a
16 great deal.

17 The cost coverage proposed in this case is modest. The resulting proposed
18 rates are also modest. I recognize the commitment by both the Postal Service and
19 the Commission to the "educational, cultural, scientific and informational" (ECSI)
20 value of newspapers and their compliance with subsection 8 of 39 U.S.C Section
21 3622, which mitigates the contribution to institutional costs from newspaper mail.
22 However, despite the modest markups proposed in this case, I believe that the
23 Commission should recognize the effects of deteriorating service. If our mail is as

1 valuable under ECSI in 1997 as it was in 1994, but service has declined, it would
2 appear that even this modest cost coverage is too high. I further recommend to the
3 Commission that it attempt to provide some relief for small newspapers who are
4 trucking their own copies to Postal delivery offices as NNA witness Speights is doing,
5 a subject I will address further in my testimony.

6 The Postal Rate Commission has no regulatory or operational authority to
7 address service problems. However, it does control the forces that contributed to this
8 recent dramatic decline in service. The origin of our problem seems to have been
9 with reclassification--and a concomitant requirement for newspapers to make major
10 investments in new software and reporting systems--and a resulting retooling of the
11 transportation and sorting patterns for Periodicals mail. While we do not object to the
12 Postal Service's desires to centralize sorting if it improves efficiency, we do object to
13 having the value of our service so severely diminished that the result is irreparable
14 damage to newspapers' relationships with subscribers.

15
16 **III. THE MEANS FOR MEASURING NEWSPAPERS' USAGE OF WITHIN**
17 **COUNTY MAIL APPEARS LONG OVERDUE FOR AN OVERHAUL.**

18 The second substantive portion of my testimony addresses NNA's concerns
19 with the method presently used for measuring within-county mail volumes.

Exhibit 2*
Within County Per Piece Volumes
(in thousands)

FY 1986	1,737,958	FY 1990	1,382,914	FY 1994	1,006,421
FY 1987	1,479,531	FY 1991	1,179,504	FY 1995	907,187
FY 1988	1,488,271	FY 1992	1,192,671	FY 1996	877,829
FY 1989	1,382,914	FY 1993	1,058,671		

•Compiled from USPS Revenue, Piece, Weight studies

1 The Postal Service has documented a decline in within county mail since the
2 mid-1980s. Attempting to obtain reliable reliability of data on within county
3 newspapers has been a long and frustrating question before this Commission, going
4 back to 1984 when Edward McCaffrey testified on the subject. The Commission has
5 revisited this question periodically through this past decade, most recently in 1994
6 following an initial filing by the Postal Service of a proposed 34% rate increase for
7 this subclass.

8 We have endeavored to learn from the Postal Service the contents of the
9 within county mail stream. Tr. 10/4912. We learned only that the Postal Service does
10 not know. It appears to rely upon the Commission's own study of preferred rate mail,
11 prepared by Dr. Richard Kielbowicz of the University of Washington in 1986. In the
12 study, the Commission implicitly embraced our own industry's assumption that within
13 county mail--which I understand is also populated by business newspapers, city
14 magazines and newsletters to some extent--is dominated by the weekly newspaper,
15 for which the original subsidized postage class was created. (Report to the United
16 States Congress: Preferred Rate Study, U.S. Postal Rate Commission, June 18,
17 1986, pps. 20-46.)

18 NNA has been puzzled by the declining volumes for within county mail. For
19 this subclass to continue to shrink when it is apparent that weekly newspaper
20 circulation are growing is a subject for concern. Since the volume declines cannot be
21 attributed to shrinking newspapers, only two possibilities remain: either that weekly
22 newspaper publishers cannot risk their franchise on spotty delivery, or that the mail
23 volume data are simply wrong.

1 NNA frankly does not know the answer to this question, but I am offering to the
2 Commission in this case data, summarized in my Exhibit 3 to demonstrate that the
3 eligible potential users of this subclass are not shrinking, but on the contrary are
4 growing. I believe it is time to question the volume measurement systems and to
5 insist upon improvements.

Exhibit 3

Weekly Newspaper Statistics*

Year	Total Titles	Total Circulation
1960	8,174	20,974,338
1965	8,061	25,036,031
1970	7,612	27,857,332
1975	7,612	35,892,409
1980	7,954	42,347,512
1985	7,704	48,988,801
1990	7,550	55,181,047
1992	7,417	54,746,332
1993	7,437	56,734,526
1994	7,716	78,763,120
1995	8,453	79,668,266
1996	7,915	81,582,795

*From Facts About Newspapers 1984-1997, Published by American Newspaper Publishers Association/Newspaper Association of America from data compiled by NNA.

1 Also in support of my view, I offer as NNA Exhibit 4, appended to the end of
2 this testimony, a copy of a mail user's survey that was informally undertaken by NNA
3 in 1995. This study was never publicly circulated nor even printed in a polished
4 format because it was intended primarily as a policy advisory for the NNA Board of
5 Directors. It was conducted as a voluntary contribution of Landmark Community
6 Newspapers, Inc.

7 This study was conducted by mailing survey forms to every NNA member
8 newspaper. Results were received at NNA headquarters and at my own offices in
9 Shelbyville, KY. By July, 1995, we had received 868 survey responses, of which 639
10 were from weeklies; 90 from semi-weeklies and 17 from thrice-weeklies. This
11 response would represent approximately 21 percent of NNA's weekly newspaper
12 members at the time. Responses came from every state except for Rhode Island.

13 Circulations represented by these respondents totaled about 7.2 million
14 copies. Of this total, approximately 37.5 percent was within the second-class
15 mailstream and 22 percent of the total was within county circulation. Because our
16 data were derived from a partial census and not by sampling, we did not attempt to
17 calculate a confidence level for these data, but from my own experience with our
18 member newspapers, I felt reasonably confident that our respondents were typical of
19 our total membership. There was no attempt made to skew numbers either to the
20 high end or low end by soliciting particular newspapers to answer. If there was a
21 skew, it was probably toward newspapers concerned about the future of postal rates

1 or delivery--but since the motivation for joining NNA may largely stem from the same
2 concerns, I did not feel that this self-selection would alter our results.

3 I used these data to assume that nearly a quarter of our newspapers'
4 circulation was at risk if within county mail were jeopardized. I logically infer that
5 these circulation copies are intended for a newspaper's primary market. (It is
6 important to point out as an ancillary remark that a newspaper's retail zone may well
7 embrace a significant outside-the-county pattern since political boundaries and
8 markets do not always coincide.)

9 When I examine and compare our survey data to the trends in weekly
10 newspaper circulation, I find serious questions about the usage of within county mail.

11 In examining the growth of weekly newspaper circulation, it is important to
12 understand the background of the numbers. NNA has long been the principal source
13 of weekly newspaper circulation data for the newspaper industry. Our data have been
14 supplied annually to the Newspaper Association of America (formerly American
15 Newspaper Publishers Association) for its Facts About Newspapers publication,
16 which is the source of the data in Exhibit 3.

17 It appears the total circulation data were compiled by NNA in earlier years by
18 collecting members' circulation numbers--upon which annual dues were assessed
19 and for which annual updates were thereby required--and by periodically adding
20 circulations of non-members' newspapers. It is unknown to me how the latter
21 number was derived in earlier years of reporting, but I assume that in a desire to
22 attract new members, NNA periodically updated its non-member database.

1 In 1993, shortly after a change in administration at NNA headquarters, a
2 vigorous update of this non-member database was undertaken. The additional
3 circulations found in this update were striking enough that the association was
4 compelled to footnote its data from that date forward. This footnote first appears in
5 the Facts About Newspapers booklet in 1993.

6 When I examined this circulation data against the within county volume
7 numbers supplied by the Postal Service revenue, piece and weight reports (RPW), I
8 found that the Postal Service results would indicate fewer than 10 percent of all
9 weekly newspapers' total circulation is found in the within county mailstream. The
10 percentage is yet lower if adjustments were made for the usage of that preferred rate
11 class by any substantial numbers of city business publications, newsletters, city
12 magazines and so forth. The trend for the past decade, if USPS data are accepted,
13 has been for circulation to grow by about 67 percent, while the within county volumes
14 are less than half of their 1986 levels.

15 It is difficult for me to understand why the usage of this subclass would be so
16 low, particularly in light of the difficulties of setting up private delivery for a small
17 weekly. It raises the inference that the mailing data may be inaccurate. Capturing
18 accurate reports of mail volumes for copies scattered among many thousands of
19 small, rural post offices may be beyond the abilities of the Postal Service's RPW
20 systems.

21 Most weekly newspapers are users of smaller post offices. Within Landmark's
22 own community newspaper universe, for example, 39 out of 40 are entered in post
23 offices that are outside major urban postal facilities.

1 NNA has learned in this case that mail volumes are captured both through the
2 PERMIT system, which totals mailers' statements to summarize volume totals, and
3 through a complex and almost inexplicable sampling of post offices themselves, from
4 which mailers' statements are then compiled in a census fashion. Tr.9/4351, 4355,
5 4359, 4360. We further learn that 44 percent of the mail volume comprising total
6 within county mail are counted through this latter system. Tr. 15/7599. We have
7 attempted to learn how USPS determines which post offices will be counted through
8 PERMIT and which through the sampling system, but the Postal Service appears
9 unable to tell us. We have inquired about whether our assumption that the smaller
10 post offices are less automated, and whether the rural post offices' tending to be the
11 smaller offices means the rural mail volumes are more likely to be captured through
12 sampling than through the automated PERMIT data, but we have been similarly
13 unable to get the Postal Service to validate that assumption. Tr.9/4382.

14 We have learned, however, that the sampling system by which these 44% of
15 all within county pieces are captured was designed in 1985 and that the system
16 design has not been updated. Tr. 15/7609-7610. Many changes have occurred
17 within the subclass since then, including major changes in eligibility criteria, that
18 would unquestionably affect volumes. In addition, some offices that may have been
19 part of the sample have been automated. Tr.9/4351. It is not clear how or when or
20 even whether those offices are removed from the sample, nor how new offices may
21 be added.

22 I then proceed to add the following elements together: Weekly newspaper
23 circulations are rising dramatically. According to the Postal Service, the within county

1 mail usage is falling. NNA finds that a substantial portion of its newspaper circulations
2 are within county mail products and that the Postal Service's data would indicate a
3 much smaller portion of the universe is in within county. Clearly, there is a serious
4 gap between what we believe we know and can reasonably infer about weekly
5 *newspaper mailing practices and the Postal Service's results from collating and*
6 *sampling newspaper volumes.*

7 Is the discrepancy because weekly newspapers are simply abandoning the
8 Postal Service--for a variety of possible reasons? Or is it because the Postal
9 Service's measurement systems are inaccurate?

10 NNA is unable to answer this question. Besides the fact that the data are
11 outside our reach, our previous attempts to match what we know about our members
12 against the USPS data on a post office by post office basis have been stymied by the
13 *Postal Service's determination not to release data it considers identifiable by mailers.*
14 Simply stated, the Postal Service refuses to tell us what volumes it handles in each
15 post office for this subclass handcuffing us from conducting what limited range of
16 analysis we could feasibly undertake.

17 However, the answer to this question should be of material interest to the
18 Commission as well as to NNA's newspapers. If mail pieces are under counted, each
19 within county newspaper is paying a too-high proportion of shared costs and a price
20 reduction is in order. If the system is accurate, the Postal Service is missing a
21 substantial amount of volume that it might be carrying, in which case some demand
22 sensitivity might be a material inquiry.

1 Because neither NNA nor the Postal Service is able at this point to offer
2 volume numbers with a high degree of reliability, I cannot propose a specific
3 adjustment in the rates proposed for this subclass. It is within the Postal Rate
4 Commission's discretion to make an adjustment, if it so chooses. However, it is
5 unquestionably within the Commission's power to insist upon better data than we
6 now have before granting yet another rate increase.

7 At one extreme the Commission could freeze rates at current levels until such
8 time as more offices can be added to the PERMIT system or an updated Domestic
9 Probability Subsystem can be devised. In the alternative, the Commission could
10 order the Postal Service to update its methodology before the next omnibus case. I
11 would point out, however, that the Commission made such a demand in 1994 and we
12 are no further along in our confidence levels than we were at that time. There is no
13 reason to believe a similar request would be taken more seriously unless a revenue
14 consequence is created by the Commission.

15

16 **IV. PERIODICALS MAILERS SHOULD RECEIVE NEW WORK-SHARING**
17 **DISCOUNTS FOR DROPSHIPPING AND WALK SEQUENCING**

18 **A. Recognition of drop-shipping discounts within authorized**
19 **exceptional dispatch is long overdue.**

20 Periodicals mailers are permitted to bypass their entry post offices in some
21 limited circumstances with drop-shipped volumes taken to the furthest possible
22 downstream point--the delivery office. The Domestic Mail Manual authorizes such
23 downstream drops for service purposes. Domestic Mail Manual 210.3.1 This method
is used by many small newspapers to get timely delivery in parts of their counties not

1 served by direct transportation from the entry post office, and in parts of adjoining
2 counties that are a part of the circulation territory where the mail must first travel to an
3 SCF before returning to the area.

4 NNA Witness Speights details a typical circumstance under which a
5 Periodicals mailer would take advantage of such an opportunity. See, NNA T-2 pages
6 7-8. These are short-haul drops that would ordinarily be unnecessary in a system in
7 which mail unfailingly traveled the shortest possible distance between Point A and
8 Point B, but in the modern postal system of sorting hubs and post-reclassification
9 transportation schemes, is an increasingly unlikely scenario.

10 At one time, it appeared newspaper mailers would be able to claim DU-entry
11 rates for this mail. But under current DMM rules, newspaper mailers must undergo
12 the complex procedures for Plant-Verified Drop Shipment and/or additional entry
13 applications and procedures in order to receive these rates. The Postal Service
14 confirmed in this case that the DDU discount is not available. Tr.10/4905.

15 The need for such short haul drops is particularly acute in rural areas,
16 precisely because the SCF to which the entered mail must be directed may take a
17 newspaper bundle hundreds of miles out of its way. As in witness Speights' case, the
18 intended destination may be well within a newspaper's retail market--but a publisher
19 whose advertisers hope to attract the readers in that destination will be disappointed
20 if the bundle is delayed even an extra day in the SCF. A day's delay will be enough
21 to jeopardize the special promotion, the coupon response time, the auction sale
22 announcement or the school talent show's audience. For that reason, editors and

1 publishers in witness Speights's position have no choice but to transport the bundles
2 directly to the small town offices within the market.

3 This diversion from the usual SCF path creates a savings for the Postal
4 Service that at least equates to avoided transportation costs. In addition, it avoids
5 additional sack sortation and possibly opening unit activity.

6 Were community newspapers larger operations, they might benefit from the
7 flexibilities offered by the additional entry system. Used by larger publications, the
8 additional entry basically captures the benefits of avoided transportation costs and
9 recognizes the publisher's contributions even if they are made primarily for improved
10 service. However, an additional entry requires filing of separate postage statements,
11 setting up and maintaining additional postage accounts and administering a more
12 complex system within the newspaper.

13 For a community newspaper, the additional headaches involved in keeping
14 postage deposits at several offices and in filing additional mailers' statements for
15 relatively small quantities of mail are sufficient deterrents to requesting additional
16 entries. Virtually all will forego the postage savings and will continue to do the drop
17 shipment hauling anyway. Looking at the 12-hour day witness Speights endures
18 each week while she transports her copies to New Hebron, I can appreciate that
19 adding another hour to deposit postage and fill out a PS-3541 form would be adding
20 insult to injury.

21 The burdens upon the Postal Service for granting a discount in these narrow
22 instances would be negligible. Under present circumstances, the drop shipped mail
23 is accepted at a nearby office and the postage account in the newspaper's office of

1 entry is debited for the copies. Granting a new discount would not change that
2 practice. Periodic audits of the newspaper's mail would capture any persistent errors
3 in the calculations as they are designed to do now with the variety of discounts
4 available within Periodicals class. Finally, because exceptional dispatch is
5 authorized only for short-haul drops, larger publications would have little incentive to
6 develop a private hauler system beyond the additional entry offices that they use now
7 unless they had significant volumes that would outweigh the costs of developing a
8 contractor network to serve multiple destinations--or unless they had a chronic
9 service problem that could be addressed through exceptional dispatch. In my view,
10 the circumstances under which exceptional dispatch is used are unique to time-
11 sensitive local publications. A discount for avoided transportation costs, at a
12 minimum, would compensate newspapers like *The Prentiss Headlight* that have been
13 unintended victims of changes in mail processing systems design.

14 I propose that the Commission extend the delivery unit rate in both within
15 county and regular rate periodicals schedules, to recognize drop shipping by
16 Periodicals on short hauls within the exceptional dispatch scenario--that is, in
17 circumstances where the original entry and the exceptional dispatch destination are
18 within a short distance of one another. Since Periodicals mail is verified only
19 annually, there should be no need verify each issue requiring by additional entry,
20 especially when quantities are virtually the same in every mailing.

B. The Postal Service's arbitrary threshold of 125 pieces for high density walk sequencing discounts discriminates against rural Periodicals mailers.

NNA in Docket No. MC95-1 presented a request to the Commission for reconsideration of the 125 piece threshold requirement for high density discounts in Periodicals class. NNA presented its concern in the context of the administration of box sections. The problems with high density discounts appear also in rural routes, where total household counts create unrealistically high subscriber penetration requirements for a newspaper to achieve if it wishes to be credited with its walk sequencing work.

In my experience, I believe community newspapers have been among the leaders in presorting. Because of the essential need for timeliness in delivery, newspaper publishers have for many years taken extra measures to present their mail in the most easily-delivered packaging and sequencing, and to prepare our pieces in the most efficient way possible in light of newspapers' inherent characteristics.

To some extent, the nature of a newspaper limits further steps in that direction. For example, products printed on newsprint are of a different stiffness and shape than, for example, the letter-sized pieces that have driven automation. The nature of the advertising marketing has meant that newspapers must adapt to demands of advertisers for pre-printed pieces, which in turn has led to a protracted examination of supplement rules within the Postal Service.

The nature of newspaper circulation is the limitation upon us when we address the requirements for high density mailings. To wit: a newspaper must have an

1 extraordinarily high penetration in its markets to receive compensation for the walk
2 sequencing that must be done for consistent and timely delivery.

3 For some community newspapers, these high penetrations are not a problem.
4 As I move around the industry, I am struck by the reader loyalty attached to many of
5 our small-town newspapers. For some of them, a readership penetration in the 70th
6 or 80th percentile is not unusual. However, for others--particularly those publishing in
7 suburbs or exurban settings where a plethora of media are vying for readers'
8 attention--the penetrations are lower.

9 Against the 125 piece walk sequencing requirements, however, both types of
10 newspapers are at a disadvantage.

11 In the rural settings, a 125 piece requirement laid upon a 150 address route
12 requires an 83 percent market penetration, an extraordinarily high figure for a
13 newspaper. In an exurb outlying an urban area, a motor route may have 300 stops,
14 of which the small newspaper may have 120 pieces or a very respectable 40%
15 penetration--and still not receive the discount, despite the preparation done by the
16 mailer.

17 The arbitrariness of the 125 piece requirement has been a matter begging the
18 Commission's attention for the beginning. The origin of the high density mailing
19 requirement is well set out in the Commission's decision in Docket MC95-1, but that
20 explication overlooks the fact that this requirement was backloaded into the DMCS
21 requirements for Periodicals after NNA requested equal treatment for periodicals and
22 advertising mail. Because no record was developed on the "fit" between the nature

1 of Periodicals mail and the high density requirement, the Commission has never
2 squarely addressed the question of the optimal cut-off for high density.

3 NNA believes that walk sequenced mail, regardless of its so-called penetration
4 within a route, saves the Postal Service time at the carrier case. If a 125 piece
5 mailing presented in walk sequencing order for a 425 address route represents a
6 cost savings, a 120 piece mailing presented on a 200 address route must represent
7 at least as great a savings, if not more.

8 To offer some examples from within LCNI, I underline the arbitrariness of this
9 rule. Each of these newspapers is on file as NNA Library Reference 2. Our *LaRue*
10 *County Herald News* in Hodgenville KY, serves 25% of the subscribers (or 101
11 pieces) on City Route 1, which has 407 addresses. It would be difficult to add 24
12 more subscribers in that market, but the Postal Service can benefit from our walk
13 sequencing anyway.

14 Our *Red Oak (IA) Express* has a 55% penetration on its rural route 3, but still
15 only 122 copies for 213 addresses. Another rural route in that same county has 217
16 patrons on the route and 119 subscribers. Close, but still no cigar. And yet in every
17 instance, the Postal Service can save casing costs because of the work we do for
18 service.

19 As the Commission correctly pointed out in its decision in MC95-1, the data
20 required for a rational threshold are in the possession of USPS or at least in its
21 potential possession. I am unaware of any costing studies that have been conducted
22 that test other piece-per-route relationships other than the 125 piece rule, which I

1 believe has been set only because that is the cutoff which the Postal Service chose
2 to examine.

3 A rational change in the high density requirements would tie the minimum
4 number of pieces to the number of stops on a route. NNA proposed the following
5 change in the DMCS in MC95-1:

6 "Second-class pieces presented in mailings which are walk sequenced and
7 contain a minimum of 125 pieces or 25 percent of the addresses (whichever is fewer)
8 per carrier route and which meet the preparation requirements prescribed by the
9 Postal Service are eligible for the applicable discount set forth in Rate Schedules
10 200, 201, 202 and 203."

11 Adopting such language in this docket would require re-regulating the high
12 density requirements, in a sense, because the Postal Service presently has the
13 discretion to set the density requirement through the Domestic Mail Manual. It has
14 declined to formally address this problem since NNA raised it in Docket MC95-1. The
15 Postal Service appears determined to maintain the arbitrary 125 piece threshold.

16 All postal eligibility rules create a discriminatory effect in a sense, by creating a
17 field of haves and have nots. It is in the nature of classification to create such effects.
18 However, it is the responsibility of the Commission to ensure that the discriminatory
19 effects created are rational and justified under the criteria of 39 U.S.C Section 3622.
20 The high density requirement is a prime example of a discrimination that is not
21 justifiable, but is rather an outgrowth of the way the various discounts have been
22 developed over the years. I see no rationale that would justify a higher rate for our
23 small newspapers with a high density per route than for our larger members with a

1 lower density per route--simply because one route happens to be smaller than the
2 other. Saving the carrier a significant amount of casing time is worth recognizing.

3 I urge the Commission, therefore, to adopt the language proposed by NNA in
4 Docket MC95-1.

5
6 **V. NNA JOINS ITS COLLEAGUES IN THE LARGER PERIODICALS INDUSTRIES**
7 **IN EXPRESSING CONCERN ABOUT MAIL PROCESSING COSTS AND**
8 **AUTOMATION REFUGEES**

9 NNA is a partner of a larger effort in this case to demonstrate to the
10 Commission the need for attention to the Periodicals class in general.

11 I associate myself with the testimony of Chris Little, appearing on behalf of
12 Magazine Publishers of America and other periodicals parties, and Keith Crain,
13 testifying on behalf of American Business Press and other periodicals parties. I
14 would also like to state my personal belief that the testimony of Time Warner witness
15 Halstein Stralberg demands the Commission's urgent attention. Newspapers, like
16 other periodicals, are suffering from the unintended consequences of the Postal
17 Service's automation plans and schedules and its inflexible workforce.

18 In addition to the problems raised by Little, Stralberg and others in the
19 Periodicals class, NNA has long expressed concerns about the IOCS tallies of within
20 county newspapers. These problems may be masked by the proposed new mail
21 processing costing methodology. I do not propose a change in the methodology at
22 this time, other than the one proposed by witness Stralberg, but I wish to remind the
23 Commission that our issue may require attention in future cases once the larger
concern with the application of MODS to Cost Segment 3 is resolved.

CONCLUSION

The post office and the community newspaper are historic partners. But like many familiar old relationships, this one suffers at times from neglect as the Postal Service pursues fashionable new partners. The current problem in the high density walk sequencing requirements, developed for the Postal Service's advertising mail customers, and only reluctantly extended to newspapers provides an excellent illustration of a chronic problem.

The Postal Service has neglected newspapers in service. It has overlooked the need to update its data collection systems. It has inadvertently required us to develop new drop shipping patterns to solve service problems created by the new ADC sorting requirements. And it has denied the value of our walk sequencing contributions by setting an arbitrary eligibility threshold.

I urge the Commission to attend to these concerns in this docket and to require the Postal Service to reexamine its costing methodology, rates and service to community newspapers. This historic partnership cannot be permitted to dwindle away while the Postal Service inches ever more towards a corporate identity.

DECLARATION

I, Max Heath, declare under penalty of perjury that the foregoing testimony is true and correct, to the best of my knowledge, information, and belief.

Max M. Heath

Dated: 12-24-97

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Commission's Rules of Practice.


Senny Boone

National Newspaper Association
Suite 550
1525 Wilson Boulevard
Arlington, VA 22209

Dated: 12-30-97

R-97-1

NNA T-1

Exhibit 1

**Max Heath's Publishers' Auxiliary
Columns Regarding Delivery Concerns
Pages 1- 6**

Mail volume may cause delivery slowdowns rest of year

Some recent horror stories from my group's newspapers and printing customers about extremely slow delivery in the Louisville and Baltimore areas (including up to eight days for First Class renewal notices and return payments) caused me to ask a Customer Service Support manager, "What gives?"

The answer: a flood of mail volume as businesses go all out for customers in the final quarter of the year leading up to Christmas. The economy is doing well, and postal reclassification is settling down so that mailers have figured out how to adjust mailing practices. Some may have delayed mailings as they calibrated their operations.

While people on the docks tell our plant employees they aren't getting enough help, managers report they are adding overtime to try to keep up. Still, mail is taking more than a day to get worked.

Also adding to the difficulties are problems with automated equipment that cause some mail to "loop" or go through the machines repeatedly without sorting to its destination. The machines also mangle a good bit. The much-vaunted automation revolution isn't always saving hours; it cost more in some locations to operate than is saved. Management ineptness combined with union intransigence will probably equal little or no savings from automation. And mailers must jump through all the hoops just the same! At least the automation discounts pass along imaginary savings.

What should you do if finely-sorted mail experiences delivery problems?

1. Call the manager of Customer Service Support at your district office. He or she can inquire on your behalf with operations.

That's what Don Campbell, outgoing manager of the Tennessee Press Association, did recently. He tracked the delivery of papers into his office during September, and found delivery taking as much as 17 days in-state. One issue of that paper arrived as quickly as four days, but others took as many as 11 (twice), 12, and 16. Two issues were never received.

2. Complain at one of the quarterly regional Periodicals Focus Groups held just for the purpose of dealing with delivery problems. Newspapers are badly under-represented at Focus Groups. Remaining in 1996 are Kansas City, Nov. 6; Phoenix, Nov. 12; and Nashville, Nov. 13.

If you can't attend, share your complaints with one of these area industry representatives:

Allegheny/Atlantic: Lou Bradfield, (212) 463-6465.

Pacific/Western: Mike McShane, (415) 312-0584.

NY Metro/Northeast: Ted Freedman, (212) 512-6588.

Great Lakes/Midwest: Joyce McGarvey, (313) 446-1650.

Southeast/Southwest: Richard Strealy, (407) 857-3373.

National: Tom Tully, (212) 512-2160.

3. Contact National Newspaper Association representatives on the Mailer's Technical Advisory Committee: Max Heath at (502) 633-4334, ext. 218 (address

at the bottom of this column), or Bill Sims, (410) 398-3311. They will advise or see your complaint gets attention.

Hard-copy CRIS notice in postal bulletin

Those of you trying to educate local post offices about the October 1 rules change allowing hard-copy CRIS (Carrier Route Information System) files' coding to qualify for carrier route rates may want to cite:

Postal Bulletin 21929, September 26, 1996, pages 16-17 contains the DMM Notice revising DMM E230.2.1 and E630.2.4 for Periodicals and Standard A Mail, respectively, to provide the option. It clearly states that computerized address matching with CASS-certified software is not required with this optional method. It also specifies that manual walk-sequencing is still an option under DMM A920.

Last month's column (Pub Aux 9-23) explained the details on the change, fought for since June by NNA.

POSTAL TIPS

By Max Heath



Loren Smith Leaves USPS marketing job

Loren Smith, the chief marketing officer of the Postal Service, resigned his position Oct. 11 after overspending his \$140 million ad budget by \$100 million. Smith pursued such wild ideas as Neighborhood Mail, which offended not only newspapers but also the Postal Service's best business partners, small letter shops who produce and sell ad mail.

Smith had no sympathy for the public-service mission of the Postal Service, for Periodicals, or small mailers. He ignored the fact that the Postal Service is actually part of the government.

Thankfully the Postal Service is replacing Smith with Allen Kane, veteran vice president, Operations Support for more than two years. He is well-grounded with leadership roles in product management, transportation, delivery, distribution and mail processing. Kane, around since 1971 when the Postal Service was reorganized, is customer-friendly and an excellent selection to work with mailers on new programs as true partners.

Facsimile 3541-R approval

Questions arise from time to time about whether a computer-generated facsimile Postage Statement, Form 3541-R, etc., can be approved at the local level. Some postmasters feel they cannot accept or approve a facsimile.

DMM PO12.4.0 clearly states: "The mailer may submit a computer-generated facsimile of the USPS form if it is in the same format as, and includes all information required by, the USPS form. A facsimile ... may be approved by the entry office postmaster. Data fields may be omitted if they concern rates not being claimed for the mailing."

This should help if you are confronted with an acceptance problem.

Max Heath is chairman of the NNA Postal Committee, and one of two NNA representatives on the joint USPS-industry Mailers Technical Advisory Committee. He is a vice president of Landmark Community Newspapers, Inc., Box 549, Shelbyville, KY 40066.

Reclassification rules create Periodicals delivery disaster

remember an old joke where someone said "Cheer up, things could be worse." The response: "So I cheered up, and sure enough, things got worse."

Many Periodicals mailers are feeling this way after several weeks of new sorting rules under postal reclassification.

While the National Newspaper Association won this battle against a proposed Publications Service that would have excluded newspapers and raised regular rates 17 percent, the Postal Rate Commission allowed the Postal Service to implement many changes July 1 that were supposed to improve mail delivery.

Encouraged by the decision, many newspapers responded cheerfully, making good-faith efforts to meet computerized list

hygiene and coding requirements, and adjusting mail sortations to comply with the simpler, but more limited options. Newspapers can now only sort to Area Distribution Center (ADC), 3-digit, and 5-digit, with elimination of the much-used Sectional Center Facility (SCF) sort, which keeps mail within the 456 processing hubs from going way up stream before handling.

The problem would not be so great were it not for the new mandatory minimum sacking requirement (DMM M820.3.1-2) of six pieces to ADC, 3- and 5-digit.

Fewer options for sortation and higher minimums add up to a delivery disaster for subscribers of publications with small numbers of copies outside their market area, or exceptional dispatch copies close in.



Two examples of reported problems

Tom Henry, assistant publisher of the Green Valley (AZ) News & Sun, is fighting to restore high levels of delivery quality which had deteriorated badly with barcoding for automated sorting to Mixed ADCs. Mailing 1,550 copies to snowbird subscribers in 49 states is better without barcoding, which has been dropped, and a switch to all-ADC sortation regardless of quantity, allowed by the Tucson office. In addition, papers were being destroyed in processing, resulting in partial or non-delivery.

The Oskaloosa (IA) Herald, on the other hand, is suffering from the intransigence of the Hawkeye District. Forty-five subscribers in 40 ZIPs in Iowa and 47 more elsewhere are receiving that daily seven to 10 days later, out of sequence, and missing altogether. Keith Camp, subscriber

services manager, reports complaints and threats of cancellation.

Des Moines' insistence on enforcing the wrong-headed six-piece minimum brought the intervention of Sen. Tom Harkin, D-IA. Postal legislation to be passed in September asks for the 6-piece minimum revocation, as does a letter to Postmaster General Marvin Runyon.

CASS processing worsens local lists

And the requirements for ZIP+4 and carrier route coding for regular-rate Periodicals and ECRS Standard mail, although not yet required for in-county mail, have also proven one big headache for newspapers, who keep their lists updated almost weekly at the local level as route changes occur.

Most of us have found it difficult to split the out-of-county list from the in-county portion for CASS-certified ZIP+4 processing, but will certainly try in the future if allowed by the Postal Service. Why?

Because carrier route code changes for route reorganizations, a frequent event throughout the postal system these days, and address changes for 911 and E911, are made within days. Local offices provide the changes quickly to local entry publications.

But the National Customer Support Center database in Memphis, which produces the ZIP+4 list for vendors, is always 3-6 months behind. The result: a perfectly good list, locally obtained, is suddenly scrambled into wrong routs

and/or addresses, as they were prior to the changes.

What is NNA doing about all this on your behalf?

As reported in the last issue, NNA has formally requested the Postal Service revoke the new six-piece sacking minimum, or allow exceptions to fix service problems. Many far-sighted managers of postal operations and business mail entry at 85 district offices have made their own customer-friendly exemptions to serve Periodicals.

I suggest each state association, or affected newspapers, request just such a district-wide exemption for Periodicals from the district office(s) within their states.

We believe the request is valid because:

1. So-called "skin" sacks with small quantities travel further through the system without having to be sorted and resorted.

2. Newspapers are gaining no discounts as a result of the finer sort, paying the highest piece rate of 24 cents on all copies in question, while doing additional preparation work to serve the subscriber.

3. Many postal processing plants and facilities don't object, and in fact, will not enforce this new rule regardless of how obstinate head-

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POSTAL TIPS

From page 3

quarters may be. The rule is NOT enforceable.

4. The current policy is "Lose-Lose." Periodicals denied the right to serve their customers lose the subscription revenue, and the Postal Service loses its highest Periodicals piece rate (plus pound rate) postage.

NNA is also talking to officials at multiple levels through its contacts on the Mailer's Technical Advisory Committee about the in-county requirement for CASS certification, possible Oct. 6, but in dispute both from legal and policy standpoints. (CASS

stands for Coding Accuracy Support System, and the certification applies to the process which matches the addresses on your list to the national database.)

Please write me or Larry Graves at NNA with any reports of service problems because of new sorting/sacking rules, or problems caused by in-county list CASS processing.

Max Heath is chairman of the NNA Postal Committee, and one of two NNA representatives on the joint USPS-industry Mailers Technical Advisory Committee. He is a vice president of Landmark Community Newspapers, Inc., Box 549, Shelbyville, KY 40066.

DMM language on 6-piece minimum exemption out

Some postmasters have told National Newspaper Association members they know nothing about the recent regulation change to exempt periodicals from the six-piece sacking minimums for service reasons.

The exact language, to appear in the next issue of the Domestic Mail Manual, was released in the October Mailroom Companion, pages 55-56. It adds a new section under Periodicals (Non automation), M200.1.4, that states clearly "... Periodicals may be prepared in packages containing fewer than six pieces, and in sacks containing as few as one such package, when the publisher determines that such preparation improves service." Exemption language is also included in M200.2.2, 2.4, and 3.1.

Refer uninformed postmasters and business mail acceptance personnel to this information. NNA led the fight to fix the problem.

Use of the six-piece exemption is a powerful tool to improve delivery problems.

More delivery problems reported

Reports of poor Periodicals delivery continue from around the country. Some of the worst come from Illinois, both around Chicago and downstate around St. Louis.

Amber Schade, Illinois Press Association member services, reported copies of the Bloomington Pantagraph sat for 12 days in Carol Stream, IL. Mail handlers reported "they couldn't get to them."

Jeff Farren, publisher of the Record Newspapers in Yorkville, reported to NNA he mails 105 papers to Minooka, in the corner of his county, each Wednesday. After routing through Fox Valley and South Suburban, they arrive the next Monday rather than the next day. Investigation by his postmaster revealed mail sorters were opening the 5-digit bag which should have moved non-stop through the plants.

Schade was told of Periodicals sitting on docks in St. Louis, where workers told a newspaper publisher that an influx of political and ad mail resulted in it being worked first (a violation of standard operating procedures).

Bedford Park, IL, was so backed up, First Class mail was sent miles away to Bloomington to sort, the Pantagraph learned.

A postal supervisor in a Texas office told me "the new system is slowing mail down considerably."

Weeklies in the Louisville area sorted to 3-digit which used to arrive on Thursday now arrive on Friday or Saturday. The circulation manager is switching to 5-digit sorts below the six-piece minimum to try to restore service. A Business Mail

Acceptance specialist told her any mail requiring hand processing adds at least one day to delivery time (it did not before reclassification).

There is talk of restoring the SCF (Sectional Center Facility) sortation for Periodicals. Its discontinuance July 1 is part of the problem. Pieces under six to a 3-digit, fall back to an ADC (Area Distribution Center) sortation, often further "upstream" in the processing flow.

What should you do about delays? In addition to sorting finer, complain! Call the district manager of Customer Service Support or plant manager. Ask your post office to call for you, or give you the number.

NNA seeks further horror stories of poor delivery to share with appropriate postal management.

Address endorsements to be simplified

After months of study, the Postal Service has proposed to simplify what are called "ancillary service endorsements" used to indicate certain handling requests for all classes of mail. They are especially useful on Standard A mail (old third class).

Newspapers mailing renewal notices by Standard A have been advised by NNA in the past that the endorsement "Forwarding and Address Correction Requested" should be added just below the return address to ensure delivery if someone has moved. (Standard mail does not get automatic forwarding as First Class does.)

"Address Service Requested" will replace the longer endorsement if comments submitted to USPS by November 12 are favorable. Newspapers using Standard mail renewal notices will want to change to the new endorsement lines at their next printing. The effective date is expected to be Feb. 1, 1997, with a grace period to Sept. 1, 1997.

Larry Graves missed

Along with others at NNA and within the postal community in Washington, I mourn the loss of my friend Larry Graves, who died of cancer October 21. NNA's public policy director was gentle, smart, and savvy about the operations of both the Postal Rate Commission and the Congress, where he had worked. Senny Boone is handling inquiries at NNA now that he's gone.

Max Heath is chairman of the NNA Postal Committee, and one of two NNA representatives on the joint USPS-industry Mailers Technical Advisory Committee. He is a vice president of Landmark Community Newspapers, Inc., Box 549, Shelbyville, KY 40066.

POSTAL TIPS

By Max Heath



Poor USPS Periodicals delivery

It's driving off newspaper subscribers, could cut volume and increase rates prematurely

The Postal Service is often its own worst enemy. While racking up record profits yet pushing for a premature rate case, and seeking postal reform that frees it from regulation, the Postal Service is failing in its primary mission: Deliver the mail on a timely basis.

Top management has poured on the pressure to achieve higher scores for the externally-measured First Class letter mail, with 91 percent of overnight mail on time. But scores for two- and three-day delivery have skidded to 72 and 70 percent on-time, respectively.

Some members of the Board of Governors are applying heat about poor delivery. Chairman Turso del Junco pointed out what mailers already know: there are "serious problems" with delivery, and the percentage of mail being delayed is "humongous."

National Newspaper Association members have reported a worsening of out-of-county mail delivery, especially in the Midwest. Many subscribers are canceling their subscriptions, costing the newspaper revenue and reader loyalty (the lifetime value of that subscriber). The Postal Service loses 21-30 cents or more per copy. Falling volume also shifts the cost of handling Periodicals mail onto a declining base, thereby forcing even higher future postage rates than otherwise would be required.

In a fair world, postal cost studies would not show higher costs for handling Periodicals mail, since the Postal Service is not applying the manpower to keep it moving. If mailers paid for service received, rather than costs in the system,

rates would drop rather than increase!

It is clear that either by default or on purpose, the Postal Service no longer cares whether unbound Periodicals are delivered on a timely basis across this country. For newspaper mailers, the word "Service" is a cruel joke.

Service declined last July when elimination of the SCF (Sectional Center Facility) sortation caused considerable mail to revert to ADCs (Area Distribution Centers). While some newspapers use the NNA-gained exemption to six-piece sacking minimums to try to keep sacks moving through the system to 3- or 5-digit offices before sorting, the slowdowns reported recently include even 5-digit mail that is delayed unreasonably, and non-delivery.

Examples:

■ Byron McNutt of Vilas County News-Review in Eagle River, WI, has Milwaukee subscribers who don't get the paper for five to seven days, Chicago subscribers, seven to 10 days, and Florida subscribers up to two to three weeks. McNutt wrote, "Milwaukee is a disaster area. If the newspapers make it through Milwaukee, they come to a dead stop in Bedford Park, IL. Both readily admit they have serious/major problems, but can't do anything about it until Washington authorizes the changes ... In February all 1,100 copies mailed to Milwaukee never showed up ... never ... We would be embarrassed to ask our subscribers (out-of-state) for a rate increase. We have lost numerous subscribers over the years because of the one to three week delays."

POSTAL TIPS

By Max Heath



It is clear that either by default or on purpose, the Postal Service no longer cares whether unbound Periodicals are delivered on a timely basis across this country. For newspaper mailers, the word 'Service' is a cruel joke.

■ Donna Carman of Casey County News in Liberty, KY, reports that Indiana subscribers who used to get the Wednesday weekly on Saturday or Monday, began to experience delivery at eight to nine days after publication this spring.

■ Frank Heuring of the Petersburg (IN) Press-Dispatch reported similar problems. The delays coincided with a cut in air transportation into Indianapolis that forced heavy truck volumes into the processing plant there. But officials in Washington and Indianapolis deny any connection.

Carman received angry letters from Cincinnati subscribers whose mail is sorted to the carrier route, requiring no handling anywhere en-route, threatening to not renew over late delivery. Entered on Wednesday, the papers aren't delivered three days later within zones 1-2, about 150 miles away.

■ Patsy Speights of The Prentiss (MS) Headlight reports a long-time subscriber in Kettering, OH, with seven to 10 day delivery suddenly not receiving any March issues as of April 7.

Other complaints have come about processing hubs in Tulsa, Royal Oak, MI, and North Carolina.

Some postal personnel say there are no delivery standards for Periodicals

mail. Not so, though they are debatable. Virginia Ramos, director, Marketing and Communications, Tampa, FAXED Mark McDonald of the Boone (IA) News-Republican that the standards were one day up to 150 miles; two days up to 300; three days up to 600; four days 1,000; five days 1,400; six days 1,800; and seven days more than 1,800 miles.

Ramos' form letter to McDonald also said: "In order to ensure that your customers, who now reside in Florida either permanently, or as seasonal residents, receive the level of service they expect on their home town publications, I would like to suggest that you consider using First Class mail when mailing to these particular customers."

NNA will be demanding to know whether this outrageous idea is endorsed by postal management at the June 11 meeting of the Mailers' Technical Advisory Committee.

NNA has a meeting set with a staff member of Customer Service that day. Brian Harris of the Postal Operations Customer Service Center has attempted to get attention to some of the above complaints, with some initial signs of success in Milwaukee. Illinois Press Association has met with Operations specialists about service in that state. And the Great Lakes area has formed a Periodicals service review team to work on problems in ZIPs 613 and 604. Call (630) 539-5885 for information.

NNA wants to hear further delivery complaints from members, as we work to resolve problems. Send to Senny Boone at NNA, or to me.

Max Heath is chairman of the NNA Postal Committee. See page 2 for more information.

NNA Postal Committee works on Periodicals delivery woes

In this column last month about Periodicals delivery going from bad to worse, I told you of a planned June 11 meeting at Postal Service headquarters on behalf of you, the National Newspaper Association membership victimized by slower delivery. Your NNA Postal Committee was represented by Bill Sims, circulation director of Chesapeake Publishing in Elkton, MD; Senny Boone, NNA's director of government relations; and myself.

We were joined by Charles Pace, a consultant with a distinguished career working for the Wall Street Journal, Newsweek, and the Postal Service. He headed the Periodicals Subcommittee of the Postmaster General's Mailers' Technical Advisory Council (MTAC) (where Sims and I represent your interests four times a year) for 12 years, and represents the Agricultural Publishers' Association on MTAC. He has been most helpful as an NNA ally on behalf of unbound Periodicals.

We met with the Postal Service's Jay Freitas, manager, Business Partners Customer Relations, and Ron Porter, In-Plant Operations, who also has a background in distribution networks. We spent 1-1/2 hours laying out member concerns, giving them reports from members mentioned in last month's column and getting feedback from them.

Freitas said they need to look at regional problems and system changes rather than just fire fighting, which makes sense. He expressed a Postal Service desire to "test some fixes, and replicate successes elsewhere." NNA will be provided with an updated list of network coordinators for Periodicals service. He admitted the Postal Service was used to handling large bulk quantities and sometimes failed to handle smaller volumes as well.

Porter feels he may be able to help, but wanted to analyze data from Wisconsin and Kentucky publications I provided as typical of NNA member problems. He indicated that each of the 10 area offices is now more directly responsible for their operation, and promised NNA would get advice on where to take problems within each area.

While nothing has been resolved, we think NNA has the ear of officials who will try to get some improvements in the delivery of unbound Periodicals. Letters I've received in support of last month's column indicate that problems continue to be severe.

Sims and I signed on to a newly-created

work group of the Periodicals Subcommittee of MTAC to further engage the Postal Service on delivery problems. We got reports on two hot spots. South Suburban, IL, area code (604), at Forest Park was said to have staffing problems (no kidding!) and apparently needs to add staff to deal with its volume. Royal Oak, MI, has seven processing plants (some are annexes) serving a fast-growing area, and can't handle the volume. The Postal Service Board of Governors will be asked to approve a new plant.

Discussions and research continue on restoration of the SCF (Sectional Center Facility) sortation for Periodicals, the loss of which has hurt service since July 1996.

Newspaper automation rates expected in March 1998

One piece of good news, which could improve delivery times while lowering the piece rates paid by newspapers, was announced at MTAC. Automation rates, unavailable to most newspapers other than quarter-folded, single-section ones, are promised effective March 1998.

The reason is that the first 102 or more of the new FSM-1000 flat-sorting machines still being deployed in processing plants will be fitted with wide-area barcode readers. Fifty-five such machines are already installed, and a request is in for 240 more, bringing the eventual total to 342. The new machines, which pull papers along with a series of belts, allow processing of more flexible pieces, even with loose parts. That was impossible on the existing FSM-881 machines, which will still be used for processing envelope "flats" and magazines.

It is estimated that 95 percent of all flat mail will then be machineable. And moving most newspapers from manual sortation to machine should speed the time spent inside a processing plant.

If you look at your 3541-R Postage Statement, you will see the prospective rates at out-of-county lines 18 and 21, Automation Flats. You will see that the rates are 12 percent lower at the Basic rate, from 24.0 to 20.9 cents, a 3.1 cent savings; and 13 percent less at the 3/5 rate, from 20.2 to 17.5 cents, down by 2.7 cents. (The discount is only available to non-carrier-route sorted mail, which gets lower rates

POSTAL, from page 16

because it is presorted, usually in delivery order, for the carrier.)

The new discounts, if effective in March as announced, will mitigate the increase expected from a regular rate case which could be effective as early as next summer.

NNA will inform members of steps to be taken to qualify for these rates as the date approaches. An accurate barcode must be printed on the label of each piece. But the biggest hurdle in the past has been machineability. There is now light at the end of that tunnel!

Max Heath is chairman of the NNA Postal Committee. See page 2 for more information.

POSTAL TIPS

By Max Heath



Turn to POSTAL, Page 19

No end in sight to postal delivery problems

Based on reports to the National Newspaper Association's Postal Committee the last few months, overall Periodicals' delivery has not made any appreciable improvement. Since we last reported to you, I have personally spent more time on delivery problems than at any time in my "postal life" of nearly 15 years.

Hoosier State Press Association had a meeting Nov. 17 with Indianapolis USPS officials who said, "We know we have problems," and welcomed HSPA assistance in improvements. An HSPA survey had shown average delivery time of nine days for out-of-county newspapers, with 57 percent receiving complaints of "no delivery."

Illinois Press Association (IPA) scheduled a meeting Dec. 12 with Tony Dobush of the Postal Service Great Lakes Area Operations. Beth Bennett of IPA said members faced continuing frustrations with late delivery, especially in northern Illinois.

Beth spoke for many community publishers when she expressed their frustrations with the expense of complying with CASS- and PAVE-certification requirements during the past 18 months, only to be rewarded with worse delivery rather than improved service as promised.

North Carolina Press Association (NCPA) contacted NNA, which helped set up a meeting later this year with Greensboro ADC Mail Processing Manager Nick Rinaldi and his Raleigh plant manager. Some of the reports gathered by Teri Saylor, NCPA manager, with my comments added in italics:

Jason Schneider, associate editor of The Denton Orator, said "we have been told that newspapers are tossed to the side and are last on the list of priorities, even though labeled as time-dated material. Many of our subscribers have told us their papers arrive several days (even weeks) late, and they often received several issues at one time, sometimes dating back more than a month." *That last sentence certainly confirms the first, Jason!*

Kathy Hooper, circulation manager of The Transylvania Times, reported "papers miraculously arrive on time while the Publication Watch is on, then go back to the hit-and-miss delivery of before." *Sure makes us wonder why postal plants can't just process the mail timely all the time, not just when "watched."*

Why is all this happening?

1. Total mail volume in the Postal Service is at record highs, along with profits. Many processing plants simply cannot handle the volume. New, larger plants need to be built in many cities. For instance, Indianapolis, currently one of the slowest ADCs in the nation, sorts mail in four annexes in addition to its downtown plant. Denise Hawkins, quality improvement specialist, has assured NNA they are trying to consolidate all Periodicals in the main building. Cincinnati, a long-time under-performer, is worse than ever.

2. Cost controls by upper management at the Postal Service prevent proper staffing to handle the workload. While

casuals are added at Christmas and during the UPS strike, the fact remains that some plants are understaffed relative to mail volume.

Postal managers can get in lots of trouble with autocratic upper management for violating work hour plans set in the 10 area offices or postal headquarters, often with little or no input from the people affected. (November Congressional testimony confirms this.)

3. The change to Area Distribution Center processing in July 1996, and the end of Sectional Center Facility processing. The 96 ADC facilities are inundated with mail, while SCFs, closer to the action, must send Periodicals upstream into the ADC mess, when they could work it faster.

4. Lack of management commitment to timely processing of Periodicals. When you boil everything else down, it all comes back to this. From PMG Marvin Runyon down, newspapers get a lot more lip service than they do real improvement. Manager service bonuses are based ONLY on First Class overnight scores. What message does that send?

What is NNA doing?

Your representatives on the Postal Service Mailers Technical Advisory Committee, Bill Sims and I, participate on a Periodicals Delivery Working Group of MTAC. It is a long-range process. If management commitment does not result, all our tweaking will be for naught. But we won't give

up. We also discuss delivery issues at each of the four regular MTAC meetings.

Senny Boone at NNA, Sims and I can advise members and associations on people to contact and steps to take to help solve specific problems.

What else can be done?

Contact ADC processing personnel directly with your complaints. I have had some success talking to "quality improvement specialists" at ADCs in Louisville, Indianapolis and Nashville. Contact your local post office for its ADC number.

Max Heath is chairman of the NNA Postal Committee. For contact information, see page 27.

POSTAL TIPS

By Max Heath



R-97-1

NNA T-1

Exhibit 4

**1995 Mail User's Survey
Pages 1- 6**

NNA SURVEY by STATE

AK	1
AL	10
AR	15
AZ	3
CA	24
CO	20
CT	8
DE	2
FL	8
GA	18
GUAM	1
HI	1
IA	35
ID	9
IL	26
IN	23
KS	25
KY	22
LA	6
MA	70
MD	17
ME	7
MI	17
MN	48
MO	30
MS	8
MT	5
NC	20
ND	14
NE	27
NH	3
NJ	29
NM	6
NV	3
NY	31
OH	21
OK	19
OR	17
PA	27
SC	8
SD	18
TN	17
TX	38
UT	5
VA	23
VT	3
WA	18
WI	46
WV	11
WY	5

all but Rhode Island
represented

TV
check total

NNA SURVEY by FREQUENCY

Weekly	639
Semiweekly	90
Triweekly	17
Daily	122

868

NWA ALLIANCE DISTRIBUTION SURVEY - 1995

No. No.		total	
2.	State	3.	Freq
4.	Total	Paid	Circ
	Free	Circ	
7165804		5902445	1234324
868 surveys			
8256		6832	2282
868		864	541
7136769		82.7%	17.3%
6946998		36.8%	0.8%
3057		2291	9448
23		291	797
39.6%		22.8%	1991

Note: Numbers do not always add up due to inaccuracies in reporting
I called many, many, but could call all -

6. 2nd Class In-Co	No.	Reg	In-Country	DU	Other	DU Entry	PVDS	Addl
1568841	767334	190855	1086921	549110	85518	40343		
1968	948	6157	1582	820	1900	897		
797	809	31	687	670	45	45		
2527030	62.18	30.48	7.68	1636031	66.48	33.68	125861	67.98
total								32.18

Page 4

No.	Product	360	total	
12.	Non-Sub	4473961		
13.	Non-Sub	352		
14.	Prod	244		
15.	3C Mail	2523821		
	Carrier	1820528		
	Stores	230270		
16.	Racks/3rd Class	1646804		
	DDU	307844		
	SCF	380756		
	None			

average	#	total
13276	337	
15-2	1-3	
8441	299	4574619
10114	180	55.2%
	53%	39.8%
1813	127	5.0%
6862	240	2335404
4527	68	70.5%
2608	146	13.2%
		16.3%

17.	3rd Class	Sat W/S	125 W/S	CAR-RT	18.	Avg. lb.	Weight
Total							
1599713	296596	398800	73.7076				

$$\begin{array}{r} 209 = (105.3) 1902, 2090 \quad 891 \\ 206 = (105.3) 1902, 2090 \quad 891 \\ \hline \end{array}$$